

**DEPARTMENT OF STATE REVENUE  
LETTER OF FINDINGS NUMBER: 04-0389  
Individual Income Tax for 2000 and 2001**

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**ISSUE**

**Income Tax—Overstated Income**

**Authority:** IC 6-8.1-5-1(b).

Taxpayer protests the assessment of income tax due, asserting that the income was overstated by the Department.

**STATEMENT OF FACTS**

Taxpayer is the minority shareholder of a for-profit Indiana S-corporation that sells and installs manufactured housing. The Department audited the corporation and assessed sales tax on the sale of an asset deemed to not be a casual sale. The Department also conducted an income tax audit. Because the corporation is a pass-through entity, the assessments were levied against the shareholders. Taxpayer filed a protest, asserting that the income was overstated due to the sale of the fixed asset. A hearing was held.

**Income Tax—Overstated Income**

**DISCUSSION**

All tax assessments are presumed to be accurate; the taxpayer bears the burden of proving that an assessment is incorrect. IC 6-8.1-5-1(b). The audit report revealed that the corporation had elected to report its revenues and expenses on an accrual basis. Because income is reported in the year it is earned, the audit determined that Taxpayer understated the pass-through receipts. As well, the audit revealed that the corporation had understated the cost-of-goods sold. This adjusted Taxpayer's income. The audit also revealed that the corporation had overstated the interest expense. This adjusted Taxpayer's pass-through income. Taxpayer is protesting the overstatement of income due to the sale of a fixed asset. Nothing in the audit addressed such an adjustment. The Department find no basis for a protest.

**FINDING**

For the reasons stated above, Taxpayer's protest is denied.